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2 April 1980

MEMORANDUM

Prospects For Jamaica

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Key Judgments

--Prime Minister Michael Manley, digging in for an uphill re-election effort, is yielding unprecedented influence to ruling-party radicals. The influence of the leftists, however, is reaching a peak at a time when the tenure of Manley's government is likely to be short-lived. [redacted]

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--Manley will join the leftists in a campaign effort to make the International Monetary Fund a scapegoat for seven years of economic decline under his administration. We doubt, however, that he believes this short-term political tactic will lead to a workable strategy of economic development for Jamaica. [redacted]

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--Jamaica's security forces now appear demoralized and disinclined to secure Manley in power. As social and economic deterioration continues, however, the weakened police and military establishments could collapse--even against a narrowly based armed effort to impose a radical government. [redacted]

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--Since his private exchange with US officials last November, Manley has softened his public criticism of Washington while still trying to keep the support of local radicals, Cuba, and the Soviet Union. [redacted]

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This memorandum was prepared by [redacted] the Latin America Division of the Office of Political Analysis and by [redacted] [redacted] the Office of Economic Research. It was requested by the National Security Adviser to the President. Information in this memorandum includes all reports received through 27 March. It was coordinated with the Clandestine Service and with the working level of the Bureau of Intelligence and Research, Department of State. Questions and comments may be addressed to Chief, Latin America Division [redacted]

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--Manley is personally more committed to fundamental social and economic change than to Jamaica's two-party system. Nevertheless, he has made concessions to the opposition Jamaica Labor Party (JLP) by agreeing to electoral reform and to an early election possibly by July--over a year before the end of his constitutional mandate. [redacted]

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--Trends still strongly favor the election this year of the moderately inclined Jamaica Labor Party, but political and economic stability on the island is rapidly deteriorating. The loss of IMF support will intensify the island's already severe social and economic problems. [redacted]

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--We expect Cuba to increase its clandestine assistance to Manley in the months ahead, and we believe that the Soviets will maintain close contact with members of Manley's party and government. We doubt, however, that either Communist country is now considering any action to help Manley stay in power unconstitutionally. [redacted]

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Prime Minister Michael Manley, digging in for a tough re-election fight, is yielding unprecedented influence to ruling-party radicals. At the same time, however, he has been trying to avoid conflict with the United States. Trends still strongly favor the election this year of the moderately inclined trade union-based Jamaica Labor Party (JLP), but political and economic stability on the island is deteriorating rapidly. [redacted]

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#### Recent Actions

Last weekend the radicals engineered a vote by the executive council of the ruling People's National Party (PNP) to discontinue negotiations with the International Monetary Fund (IMF). Jamaica's failure to adhere to IMF targets had caused its agreement with the Fund to come unglued last December. Eric Bell, Manley's widely respected Finance Minister, quit in protest on Sunday before the Cabinet approved the break. Richard Fletcher, Bell's most able deputy and a relative of Manley's, also resigned.

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Ironically, the Cabinet earlier this month had tentatively approved IMF conditions that would allow Jamaica to continue drawing IMF credits. [redacted]

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Manley, who had privately supported Bell's talks with the IMF, bowed to the radicals and appointed one of their foremost spokesmen, Hugh Small, as Finance Minister--the first time a radical has held the post in any Jamaican government. The Prime Minister probably is skeptical of the radicals' promised alternative development plan--he rejected a previous program in favor of the IMF in 1977--but he will join the leftists in a campaign effort to make the IMF a scapegoat for seven years of economic decline under his administration. [redacted]

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The influence of leftists--who now control the state-owned media as well as the key ministries of finance and national security--has reached a peak at a time when the tenure of Manley's government is likely to be short-lived. Strictly from a political standpoint, Manley's support for the radicals will enable him to exploit their considerable energy and organizational talents through the election and will probably keep them united behind his leadership if the PNP loses the election. The alternative for Manley--continued support for the IMF and a break with the left--would not have helped his re-election chances and probably would have left him with an insufficient power base to serve as an effective opposition leader. [redacted]

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### The Security Forces

Jamaica's 2,000-member Army and to a less extent its 6,000-member police force still are influenced by a tradition of political neutrality and by personal loyalties to opposing political parties. The security forces, like most Jamaican institutions, are "hostage" to the country's entrenched two-party system. Although Manley has tried to politicize them, the JLP has never lost reliable contacts who have helped it expose the Prime Minister's efforts. [redacted]

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Nevertheless, both the police and military are being weakened by budget cuts and by increasingly high attrition resulting from Jamaica's economic deterioration. We suspect that anti-government sentiment among the members of the security forces is strong and that most would be wary of any attempt by Manley--including the imposition of a State of Emergency as occurred before the last election in 1976--to use them to secure his political position. If the economic decline over the next several months leads to the actual breakdown of law and order, however, we would expect the security forces to intervene on behalf of the constitutional government--a situation that Manley might be able to exploit to political advantage. [redacted]

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Moreover, while the security forces as a whole appear to pose no threat to Jamaican democracy, the potential exists for the left--with nearly guaranteed cooperation from Manley's opportunistic Minister of National Security, Dudley Thompson--to radicalize a small core of officers and men who might eventually prevail against a disorganized and ill-equipped majority in an atmosphere of social and economic disorder. [redacted]

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A possibility also exists that independent radicals, led by prominent Marxist Trevor Munroe, might eventually attempt to seize control from Manley. In September 1978, the Jamaican police raided and destroyed several guerrilla camps linked with Munroe in the hills outside Kingston. At this time, however, we would give such a coup effort only a slim chance of succeeding. [redacted]

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#### Manley and the United States

Since his frank, private exchange with US officials last November, Manley has softened his public criticism of Washington while still trying to maintain the support of local radicals and of both Cuba and the Soviet Union. He has backed down from his increasingly anti-US position of

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last year, first at the Nonaligned Summit in Havana and later in a joint communique with Iraq. In the UN he has supported the United States on major issues concerning the hostages in Iran and the Soviet invasion of Afghanistan.

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In a Miami television interview last December, Manley stated that he does not believe that the CIA is trying to destabilize his government--the first time he has exonerated his favorite "whipping boy"--and later in Jamaica he dramatically praised the United States as a positive influence on modern civilization. Departing from past behavior, he has made no public effort to exploit the personally embarrassing leak to the US press of his meeting with US officials.

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On the other hand, Manley has done little to restrain the anti-US pronouncements of the minority radical factions of his party and government, and the government-controlled media have continued to take positions sympathetic to Cuba and the Soviet Union. Jamaican leftists, on the whole, are conducting business as usual, confident as ever of Manley's protection.

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#### Economic Policy

Manley's performance on the economy also had been mixed before he opted to side with the radicals. His most important actions, however, had favored political moderates and the restoration of Jamaica's three-year agreement with the IMF. He had been openly critical of the stiff, IMF-required austerity and had believed that the existing agreement would impose excessive social and political strains without promoting real economic growth. Nonetheless, he had told the radicals that, despite his respect for their political position, he backed a new IMF agreement. To break with the Fund, he implied, would raise false expectations among a hard-pressed population.

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In the end, Manley joined the leftist campaign to exploit growing disenchantment with the IMF across Jamaica's political spectrum. Even moderates--including the JLP

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leadership--apparently had backed Manley's efforts to negotiate easier terms. They generally agree with Manley's earlier warning to the radicals, however, that the country has no reasonable alternative to the IMF to stave off further economic decline this year. [redacted]

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In an election year, Manley is trying to mobilize the leftist, youth-oriented organization that helped him in past elections and to distance himself from the policies that have nearly ruined Jamaica's economy since he took office in 1972. We doubt, however, that he believes that his short-term political tactic will lead to a workable long-term strategy of economic development for Jamaica. [redacted]

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#### The IMF

The IMF had stipulated that Jamaica slash public spending and repay foreign debts now in arrears to continue access to IMF funds. Even then, with optimistic assumptions about foreign aid inflows, Jamaica--whose real output dropped 1 percent in 1979, the seventh consecutive year of decline--would experience no real economic growth in 1980. Widespread layoffs, increased shortages, and probably large-scale popular demonstrations would ensue. [redacted]

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Jamaica's financial resources are now inadequate to cover the country's needs, and prospects for sufficient outside assistance are poor. The country has yet to receive any installment of the \$50 million loan promised from Libya over two months ago. Because of its break with the IMF, moreover, Jamaica could lose significant aid from Western official donors, including Canada which tied their funds to Kingston's continued adherence to the IMF program. [redacted]

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As a result, Jamaica already has begun to seek a massive rescheduling of its foreign debt to help ease the country's financial squeeze. Officials have been considering this request for some time--a probable inevitability, even with a new IMF agreement. Kingston is asking its major commercial

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creditors for a five-year deferment on the \$186 million in loans due for repayment by 1985. If the bankers would request immediate repayment--most of the loans have recall provisions tied to IMF compliance--Jamaica would not be able to pay its debts. Much of Jamaica's external debt--which exceeds \$1 billion--is held in the United States. [redacted]

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### Democracy

Manley is personally more committed to fundamental social and economic change than to Jamaica's traditional two-party system. He has made no attempt in recent months to alter the open support for authoritarian socialist states that has won him admiration among local and foreign leftists. [redacted]

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Nonetheless, the Prime Minister made major concessions to his majority-based opposition when he agreed to electoral reforms and to an early election--a year before the end of his constitutional mandate. This action has improved prospects for democracy on the island and has lessened the importance of Manley's static personal convictions. [redacted]

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Bell's resignation and the PNP's rejection of the IMF likely will prompt demands for immediate elections among a moderate majority that includes the private sector, powerful unions, and the independent press. We believe that Manley, recognizing his decreasing options, is probably looking beyond an election defeat to an early return to power constitutionally--in the manner of his friend, Canadian Prime Minister Trudeau. Furthermore, we believe that the break with the IMF probably will force him to advance the date of the promised election. [redacted]

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### Cuba and the Soviet Union

Manley is maintaining close and friendly relations with Cuba and the Soviet Union, and he is allowing their more vociferous local advocates to continue propagandizing on their behalf. We expect Cuba to increase its clandestine

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assistance to Manley in the months ahead, and we believe that the Soviets will stay in close contact with members of the Prime Minister's party and government. [redacted]

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Nonetheless, the investment necessary to prop up Manley is becoming increasingly costly for any outside force. We doubt that either Cuba or the Soviet Union now is considering any action to help Manley stay in power unconstitutionally-- although we expect both countries to provide increased propaganda and intelligence assistance to the Prime Minister. Moreover, Manley does not appear to be following a long-term political strategy. His recent actions confirm his long-standing tendency to employ short-term tactics in an increasingly difficult effort to hold together his crumbling party and government. [redacted]

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### Prospects

The JLP is strongly favored to defeat Manley in the election this year. This would greatly improve the prospects for a new IMF agreement. A remote chance exists, however, that the combination of the unprecedented radical control of the ruling party and a growing potential both for social unrest and violent political conflict could upset the constitutional process. As chances for major social and political violence increase, prospects for an orderly transfer of power to the JLP will decline. [redacted]

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In the event of major unrest, Manley, spurred by his now dominant radical advisers, could attempt to impose a State of Emergency that would ostensibly preserve law and order but also would restrict the JLP's campaign efforts and entrench the Prime Minister prior to the election. In this scenario, the government or independent radicals might even seek large-scale Cuban security assistance. [redacted]

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We believe, however, that the union-based JLP is now powerful enough to block the radicals or Manley himself, even if he were to impose a State of Emergency. Radical hopes for the near future, therefore, appear to depend on a

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collapse of law and order that would break the JLP's disciplined control of the anti-government majority and would justify intervention by the local security forces--and possibly by "friendly" foreign governments--to preserve the government of the day. For now, this is a worst-case scenario that is unlikely to unfold. [redacted]

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Any economic palliatives contemplated by the Manley government to replace the IMF accord thus would not succeed. Jamaicans can expect an erosion in their living standards that would be even deeper than that contemplated under an IMF program. Although three years of economic deterioration under the IMF program probably have made Manley more susceptible to radical solutions, he might well revert to the IMF for help if he remains in power. In the past, the Prime Minister has rejected radical economic proposals when he found them to be unrealistic. [redacted]

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The odds are strongly against Manley seeking another bauxite tax increase or authorizing other pressures against US bauxite interests in the next few months. Manley does not want to jeopardize crucial foreign exchange earnings from this sector. He may ask, however, for some prepayment of bauxite levies, a practice used by the aluminum companies during past foreign exchange crunches. The companies have more leverage in shifting production to other countries than was the case several years ago, particularly in view of the slowdown in the US economy and of the development of bauxite sources in Australia and Brazil. Moreover, the Communist countries have not indicated that they will provide substantial aid to Jamaica. These nations also would be of little help in providing an alternative bauxite market because most of their supplies are obtained under long-term contracts with other sources. [redacted]

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